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Message Text

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ACTION EB-07

INFO OCT-01 AF-06 EUR-12 ISO-00 ABF-01 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03

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E.O. 11652: N/A
TAGS: EFIN EINV MR
SUBJECT: MAURITANIAN CENTRAL BANK TAKES PROVISIONAL CONTROL OF BIMA

REF: A. NOUAKCHOTT 188 B. NOUAKCHOTT 93

SUMMARY: MAURITANIAN CENTRAL BANK HAS TAKEN CONTROL, BY MEANS OF "PROVISIONAL ADMINISTRATOR," OF BANQUE INTERNATIONALE POUR LA MAURITANIE (BIMA), WHICH IS 49 PERCENT OWNED BY FIRST NATIONAL CITY BANK. FUTURE OF BIMA OPERATIONS IS UNCLEAR. THIS ACTION, FOLLOWING ON HEELS OF MIFERMA NATIONAL-IZATION, DOES NOT AUGER WELL FOR EXPANSION OF FOREIGN INVESTMENT IN MAURITANIA. END SUMMARY.

1. GOVERNOR OF MAURITANIAN CENTRAL BANK, AHMED OULD DADDAH, CALLED PRESS CONFERENCE FEBRUARY 17 AND ANNOUNCED:

A. BOARD OF DIRECTORS OF BIMA'S PARIS-BASED PARENT COMPANY,
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BANQUE INTERNATIONALE POUR L'AFRIQUE OCCIDENTALE

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(BIAO), REFUSED TO RATIFY DRAFT AGREEMENT DESIGNED TO SETTLE "AMICABLY" BIMA-CENTRAL BANK DISPUTE (REF A).

B. DISPUTE INVOLVES CENTRAL BANK ALLEGATION THAT BIMA VIOLATED MAURITANIAN LAW BY FAILING TO REPATRIATE 20 MILLION DOLLARS IN PAYMENTS OWED ACCOUNT OF ITS CLIENT, RECENTLY NATIONALIZED MIFERMA IRON MINE (NOUAKCHOTT A-65).

C. MAURITANIAN LAW SPECIFIES AN EXPORT COMPANY AND ITS BANK ARE "EQUALLY AND SEPARATELY" RESPONSIBLE FOR REPATRIATION OF ALL FUNDS FROM SALES OF EXPORTS. GIRM CAN LEVY FINE OF FIVE TIMES UNREPATRIATED AMOUNT.

D. CENTRAL BANK HAS NO ALTERNATIVE BUT TO BRING BIMA TO COURT AND, PENDING JUDGEMENT, SUPERVISE BIMA'S DOMESTIC OPERATIONS WHICH WILL BE ALLOWED TO CONTINUE.

E. MANAGEMENT OF BIMA HAS BEEN TAKEN OVER, THEREFORE, BY PROVISIONAL ADMINISTRATOR APPOINTED BY CENTRAL BANK. (PERSONNEL FROM CENTRAL BANK HAVE ALREADY ASSUMED CONTROL OF BIMA BRANCHES IN MAURITANIA.)

F. CENTRAL BANK-BIMA DISPUTE HAS "NEVER BEEN OVER QUESTION OF NATIONALIZATION." OULD DADDAH ADDED, "NATIONALIZE WHAT? BIMA RISKS A 100 MILLION DOLLAR FINE (20 MILLION X 5) WITH HARDLY ONE TENTH THAT AMOUNT IN ASSETS."

G. "FOR THE MOMENT," BIMA ALONE IS BEING PROSECUTED FOR 20 MILLION DOLLAR FOREIGN EXCHANGE DEBT. OULD DADDAH REFUSED TO SPECULATE IF EX-MIFERMA WOULD BE SIMILARLY CHARGED UNDER EQUAL AND SEPARATE RESPONSIBILITY.

2. COMMENT: MOTIVE FOR CENTRAL BANK ACTION IS UNCLEAR, BUT THREE POSSIBILITIES SUGGEST THEMSELVES:

A. TO FORCE IMMEDIATE ACCESSION BY BIAO DIRECTORS TO ORIGINAL DRAFT AGREEMENT.

B. TO CAUSE DE FACTO NATIONALIZATION OF BIMA, ARGUING THAT ACCOMPANYING FINES CANCEL ANY INDEMNIFICATION CLAIMS.
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C. TO SERVE AS THREAT AGAINST EX-MIFERMA SHAREHOLDERS FOR SETTLING INDEMNIFICATION QUICKLY AND FAVORABLY OR RISK SIMILAR 100 MILLION DOLLAR FINE UNDER EQUAL AND SEPARATE PROVISION.

IT IS TOO EARLY TO TELL DIRECTION OF CENTRAL BANK THINKING. THIS ACTION AGAINST BIMA, FOLLOWING ON HEELS OF MIFERMA

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NATIONALIZATION, DOES NOT, HOWEVER, AUGER WELL FOR
EXPANSION OF FOREIGN INVESTMENT IN MAURITANIA. END COMMENT.

3. SUGGEST DEPT PASS ABOVE TO DENNIS DE MUNNICK, DIRECTOR
OF FIRST NATIONAL CITY BANK IN NEW YORK. EMBASSY PARIS
MAY ALSO WISH TO APPRISE TIMOTHY WOOD, FNCB VP IN PARIS,
OF SITUATION.SHINN

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